



OHIO AUDITOR OF STATE  
**KEITH FABER**





**STEUBENVILLE SCHOOL DISTRICT  
JEFFERSON COUNTY  
JUNE 30, 2018**

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JEFFERSON COUNTY  
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## INDEPENDENT AUDITOR'S REPORT

Steubenville City School District  
Jefferson County  
1400 West Adams Street  
Steubenville, Ohio 43952

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Steubenville City School District, Jefferson County, Ohio (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Steubenville City School District, Jefferson County, Ohio, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

#### *Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State

Columbus, Ohio

February 20, 2019

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**Steubenville City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
Unaudited

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The discussion and analysis of the Steubenville City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for the fiscal year 2018 are as follows:

- Net position of governmental activities increased \$10,115,764.
- General revenues accounted for \$17,637,447 in revenue or approximately 60 percent of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for \$12,011,030 or approximately 40 percent of total revenues of \$29,648,477.
- Total assets decreased \$481,990 primarily due to increases in capital assets, which were offset by decreases in current and other assets. Total liabilities decreased \$9,731,894 primarily due to a decrease in the School District's net pension liability.
- The School District had \$19,532,713 in expenses related to governmental activities; only \$12,011,030 of these expenses were offset by program specific charges for services and sales, and operating grants and contributions. General revenues of \$17,637,447 were adequate to provide for these programs.
- Total Governmental funds had \$29,877,275 in revenues and \$30,970,921 in expenditures. In total Governmental fund balances, including other financing sources and uses, decreased \$1,093,646.

### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Steubenville City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look as the School District's most significant funds with all other non-major funds presented in total in one column.

### ***Reporting the School District as a Whole***

#### *Statement of Net Position and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The

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Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in those assets. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, the School District's activities are all considered to be Governmental Activities which include instruction, support services, operation of non-instructional services, debt service operations, and extracurricular activities.

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

The analysis of the School District's funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Debt Service Fund, and the Permanent Improvement Capital Projects Fund.

***Governmental Funds*** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2018 compared to 2017.

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**Table 1**  
**Net Position**  
**Governmental Activities**

	<b>2018</b>	<b>2017</b>	<b>Change</b>
<b>Assets</b>			
Current and Other Assets	\$27,442,606	\$28,716,127	(\$1,273,521)
Capital Assets	46,439,424	45,647,893	791,531
<b>Total Assets</b>	<b>73,882,030</b>	<b>74,364,020</b>	<b>(481,990)</b>
<b>Deferred Outflow of Resources</b>			
Pension	9,474,639	7,028,967	2,445,672
OPEB	492,796	43,265	449,531
Total Deferred Outflows of Resources	9,967,435	7,072,232	2,895,203
<b>Liabilities</b>			
Current and Other Liabilities	2,880,572	2,857,508	23,064
Long-Term Liabilities:			
Due Within One Year	553,901	616,142	(62,241)
Due in More Than One Year			
Net Pension Liability	26,469,673	34,705,465	(8,235,792)
Net OPEB Liability	5,768,970	6,931,052	(1,162,082)
Other Amounts	9,922,774	10,217,617	(294,843)
<b>Total Liabilities</b>	<b>45,595,890</b>	<b>55,327,784</b>	<b>(9,731,894)</b>
<b>Deferred Inflows of Resources</b>			
Property Taxes	3,959,210	3,336,286	622,924
Pension	1,220,041	467,497	752,544
OPEB	653,875	0	653,875
<b>Total Deferred Inflows of Resources</b>	<b>5,833,126</b>	<b>3,803,783</b>	<b>2,029,343</b>
<b>Net Position</b>			
Net Investment in Capital Assets	37,096,432	35,842,991	1,253,441
Restricted	10,705,115	11,933,318	(1,228,203)
Unrestricted (Deficit)	(15,381,098)	(25,471,624)	10,090,526
<b>Total Net Position</b>	<b>\$32,420,449</b>	<b>\$22,304,685</b>	<b>\$10,115,764</b>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and

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GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State Statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State Statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the Statement of Net Position.

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$28,828,449 to \$22,304,685 which includes a restatement for a change in fund classification, See Note 3.

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Total assets decreased \$481,990. Current and other assets decreased \$1,273,521 primarily due to decreases in cash and cash equivalents as a result of the School District not taking moratoriums for the health benefits premium, as well as decreases in accounts receivable associated with the 2014 QZAB annual in-kind contribution. The decreases were offset by increases in cash with fiscal agents associated with the Education Foundation Special Revenue Fund. Capital assets increased \$791,531 as the School District completed and placed in service the upgrades to the Harding Middle School Cafeteria Project. The increase in capital assets was offset by annual depreciation.

Total liabilities decreased \$9,731,894. Current and other liabilities increased \$23,064 primarily due to a decreases in intergovernmental payable and claims payable that were offset by increases in accrued wages and benefits. Long-term liabilities decreased \$9,754,958 primarily due to a significant decrease in net pension/OBEB liability. The net pension/OPEB liability decrease represents the School District's proportionate share of the STRS and SERS unfunded benefits. As indicated previously, changes in pension/OPEB benefits, contribution rates, and return on investments affect the balance of the net pension/OPEB liability.

In order to further understand what makes up the changes in net position for the current fiscal year, the following table gives the readers further details regarding the results of activities for 2018 and 2017.

**Table 2**  
**Changes in Net Position**  
**Governmental Activities**

	<b>2018</b>	<b>2017</b>	<b>Change</b>
<b>Revenues</b>			
Program Revenues			
Charges for Services and Sales	\$4,831,849	\$4,391,359	\$440,490
Operating Grants and Contributions	7,179,181	7,600,577	(421,396)
Capital Grants and Contributions	0	68,000	(68,000)
Total Program Revenues	<u>12,011,030</u>	<u>12,059,936</u>	<u>(48,906)</u>
General Revenues			
Property Taxes	3,587,198	4,588,459	(1,001,261)
Grants and Entitlements not Restricted to Specific Programs	13,525,004	13,126,046	398,958
Others	525,245	704,304	(179,059)
Total General Revenues	<u>17,637,447</u>	<u>18,418,809</u>	<u>(781,362)</u>
<b>Total Revenues</b>	<u><u>29,648,477</u></u>	<u><u>30,478,745</u></u>	<u><u>(830,268)</u></u>

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**Table 2**  
**Changes in Net Position(continued)**  
**Governmental Activities**

	2018	2017	Change
<b>Program Expenses</b>			
Instruction			
Regular	7,557,133	14,233,408	(6,676,275)
Special	1,730,975	3,834,341	(2,103,366)
Vocational	525,454	591,404	(65,950)
Support Services			
Pupil	696,156	1,137,599	(441,443)
Instructional Staff	410,494	459,987	(49,493)
Board of Education	108,020	83,221	24,799
Administration	1,381,275	2,285,339	(904,064)
Fiscal	432,767	479,391	(46,624)
Business	302,303	272,047	30,256
Operation and Maintenance of Plant	2,589,488	3,483,257	(893,769)
Pupil Transportation	328,319	512,753	(184,434)
Central	160,828	161,528	(700)
Operation of Non-Instructional Services	695,415	672,413	23,002
Food Service Operations	2,168,473	1,519,099	649,374
Extracurricular Activities	418,286	792,908	(374,622)
Interest and Fiscal Charges	27,327	95,474	(68,147)
<b>Total Expenses</b>	<b>19,532,713</b>	<b>30,614,169</b>	<b>(11,081,456)</b>
Special Item	0	823,437	(823,437)
<b>Change in Net Position</b>	<b>10,115,764</b>	<b>688,013</b>	<b>10,258,019</b>
Net Position Beginning of Year	22,304,685	N/A	
Net Position End of Year	<b>\$32,420,449</b>	<b>\$22,304,685</b>	<b>\$10,115,764</b>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$53,620 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$904,118. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$19,532,713
Negative OPEB expense under GASB 75	(904,118)
2018 contractually required contribution	53,620
Adjusted 2018 program expenses	18,682,215
Total 2017 program expenses under GASB 45	30,614,169
Decrease in program expenses not related to OPEB	(\$11,931,954)

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The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption. (See Note 11) As a result of these changes, pension expense decreased from \$2,841,147 in fiscal year 2017 to a negative pension expense of \$8,121,408 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

<b>Program Expenses</b>	<u>2018 Program Expenses Related to Negative Pension Expense</u>
Instruction:	
Regular	(\$5,152,824)
Special	(1,175,998)
Vocational	(269,195)
Support Services:	
Pupil	(318,291)
Instructional Staff	(49,045)
Administration	(837,787)
Fiscal	(266)
Business	(189)
Operation and	
Maintenance of Plant	(44,502)
Pupil Transportation	(236)
Central	0
Operation of	
Non-Instructional Services:	(15,256)
Food Service Operations	(1,271)
Extracurricular Activities	<u>(256,548)</u>
Total Expenses	<u><u>(\$8,121,408)</u></u>

In 2018, 12 percent of the School District's revenues were from property taxes, and 46 percent were from unrestricted grants and entitlements. Program revenue charges for services and sales, and operating grants and contributions decreased \$48,906 from the prior fiscal year. The decrease is primarily due to a decrease capital grants and contributions due to the remaining portion of the ten percent in-kind contribution related to the 2016 QZAB improvement project being received in fiscal year 2017. Operating grants and contributions decreased due to the loss of funding for the Elementary Counseling Grant. These decreases were offset by increases charges for services for tuition and fees. The decrease in Property Tax resulted from a decrease in assessed value due to the loss of a debt service levy.

Instructional programs comprise approximately 50 percent of total governmental program expenses and reflect an \$8,845,591 decrease from fiscal year 2017. Overall, program expenses of the School District decreased by \$11,081,456, most noticeably in regular instruction. The largest component of the decrease in program expenses results from changes in assumption and benefit terms related to pensions.

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Management's Discussion and Analysis  
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The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for fiscal year 2018 compared to fiscal year 2017. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

**Table 3**  
**Governmental Activities**

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Instruction				
Regular	\$7,557,133	\$14,233,408	\$1,603,498	\$8,580,005
Special	1,730,975	3,834,341	(910,506)	1,149,350
Vocational	525,454	591,404	248,759	336,860
Support Services				
Pupil	696,156	1,137,599	585,021	609,308
Instructional Staff	410,494	459,987	386,736	431,319
Board of Education	108,020	83,221	108,020	83,221
Administration	1,381,275	2,285,339	1,381,275	2,266,154
Fiscal	432,767	479,391	378,464	352,980
Business	302,303	272,047	302,303	264,575
Operation and Maintenance of Plant	2,589,488	3,483,257	2,462,726	3,372,670
Pupil Transportation	328,319	512,753	242,682	511,629
Central	160,828	161,528	160,828	161,528
Operation of Non-Instructional Services	695,415	672,413	(52,777)	106,107
Food Service Operations	2,168,473	1,519,099	537,579	(139,543)
Extracurricular Activities	418,286	792,908	59,748	372,596
Interest and Fiscal Charges	27,327	95,474	27,327	95,474
<b>Total Expenses</b>	<b>\$19,532,713</b>	<b>\$30,614,169</b>	<b>\$7,521,683</b>	<b>\$18,554,233</b>

For fiscal year 2018, the dependence upon tax revenues and state subsidies for governmental activities reflects approximately 39 percent of expenses. For fiscal year 2017, approximately 61 percent of expenses are supported through taxes and other general revenues. This decrease in program expenses results from changes in assumptions and benefit terms related to pensions.

**The School District Funds**

Information about the School District funds starts on page 17. The School District reports three major funds, the General Fund, the Debt Service Fund, and the Permanent Improvement Capital Projects Fund. The General Fund had \$23,251,477 in revenues and \$23,068,135 in expenditures. Including other financing uses, the General Fund's balance decreased \$171,900. The Debt Service Fund revenues of \$173,468 represent a significant decrease from the prior year as the School District's bond retirement levy ceased collection in calendar year 2017. Debt Service Fund expenditures of \$523,423 reflect a decrease from the prior year as long-term obligations were retired. Including other financing sources, the Debt Service Fund's balance increased \$5,287. The Permanent Improvement Capital Projects Fund had \$628,577 revenues and \$309,013 in expenditures. The Permanent Improvement Capital Projects Fund's balance increased \$319,564 as a result of a new tax levy.



**Steubenville City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
Unaudited

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***General Fund Budgeting Highlights***

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal 2018 the School District amended its General Fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. The changes between the original and the final budget were not significant for either revenues or expenditures. The actual results of operations were not significantly different than budgeted amounts, with revenues being less than budgeted and expenditures being less than budgeted.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2018, the School District had \$46,439,424 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. See Note 9 for more detailed information of the School District's capital assets.

***Debt***

At June 30, 2018, the School District had \$9,310,375 in bonds outstanding.

**Table 4**  
**Outstanding Debt at Year End**  
**Governmental Activities**

	2018	2017
2011 Refunding Bonds - Serial and Capital Appreciation Bonds, Accretion of Interest, and Premium	\$1,130,135	\$1,412,162
2005 Qualified Zone Academy Bonds	3,930,240	3,930,240
2007 Qualified Zone Academy Bonds	700,000	700,000
2014 Qualified Zone Academy Bonds	2,200,000	2,337,500
2016 Qualified Zone Academy Bonds	1,350,000	1,425,000
<b><i>Total</i></b>	<b>\$9,310,375</b>	<b>\$9,804,902</b>

See Note 15 for more information regarding the School District's debt and other long-term obligations, including compensated absences and net pension/OPEB liability.

**Steubenville City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
Unaudited

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***Economic Factors***

It is important for our School District to consider the statewide economic data for two important reasons. First and foremost, the Steubenville City School District's State Funding is directly impacted by State revenue collections and the health of the State budget. The State currently has a record \$2.7 billion set aside in the Budget Stabilization Fund, however, in the event of a recession the State would likely consider reducing funding to public education. The School District is optimistic that State of Ohio's fiscal year 2020-2021 biennium budget will remain stable based on the current economic data. Secondly, the same economic forces that impact the State tax revenues also generally affect the underlying economies of most communities across Ohio and impact's the collections of local tax revenue. Generally speaking, local school district economic viability is tied to the same fundamental economics that drive the State's economic viability. As of June 2018, the unemployment rate in Jefferson County was 6.6 percent which is above the 4.5 percent State average. For school districts, real property values are another important component of economic data. In 2017 Class 1 values rose by \$7.3 billion or 3.9 percent statewide, while Class 2 property increased by \$1.67 billion or 3.2 percent statewide. Property values in Tax Year 2017 have fully recovered and exceed pre-recession values for all classes of property. Home values for the 12 month period ending in June 2018 were up statewide by an average of 5.1 percent. Overall, the economy of the State is stable and may grow slightly in future years. These factors should provide a stable basis to allow the State to make relatively stable revenue projections and ultimately result in stable funding for the School District in the fiscal year 2020-2021 biennium budget.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Kayla Whitlatch, Treasurer at Steubenville City School District, 1400 West Adams Street, Steubenville, Ohio 43952.

**Steubenville City School District**  
*Statement of Net Position*  
June 30, 2018

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$11,223,217
Intergovernmental Receivable	901,896
Prepaid Items	22,854
Materials and Supplies Inventory	29,842
Property Taxes Receivable	5,469,893
Cash and Cash Equivalents with Fiscal Agent	6,067,680
Accounts Receivable	41,915
Cash and Cash Equivalents Escrow Agents	23,733
Investments with Escrow Agents	3,661,576
Non-Depreciable Capital Assets	5,910,969
Depreciable Capital Assets, Net	40,528,455
<i>Total Assets</i>	73,882,030
<b>Deferred Outflows of Resources</b>	
Pension	9,474,639
OPEB	492,796
<i>Total Deferred Outflows of Resources</i>	9,967,435
<b>Liabilities</b>	
Accounts Payable	131,579
Accrued Wages and Benefits Payable	1,744,631
Contracts Payable	32,617
Vacation Benefits Payable	47,055
Intergovernmental Payable	559,677
Matured Severance Payable	16,063
Accrued Interest Payable	2,586
Claims Payable	346,364
Long-Term Liabilities:	
Due Within One Year	553,901
Due In More Than One Year:	
Net Pension Liability (See Note 11)	26,469,673
Net OPEB Liability (See Note 12)	5,768,970
Other Amounts	9,922,774
<i>Total Liabilities</i>	45,595,890
<b>Deferred Inflows of Resources</b>	
Property Taxes	3,959,210
Pension	1,220,041
OPEB	653,875
<i>Total Deferred Inflows of Resources</i>	5,833,126
<b>Net Position</b>	
Net Investment in Capital Assets	37,096,432
Restricted for:	
Debt Service	5,132,368
Capital Outlay	1,307,378
Budget Stabilization	85,496
State and Intermediate Programs	214,156
Federal Programs	108,881
Food Service Operations	957,153
Preschool Programs	905,546
Classroom Facilities Maintenance	385,909
Scholarships	1,299,224
Other Purposes	309,004
Unrestricted (Deficit)	(15,381,098)
<i>Total Net Position</i>	\$32,420,449

See accompanying notes to the basic financial statements

**Steubenville City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$7,557,133	\$4,397,079	\$1,556,556	(\$1,603,498)
Special	1,730,975	0	2,641,481	910,506
Vocational	525,454	0	276,695	(248,759)
Support Services:				
Pupil	696,156	0	111,135	(585,021)
Instructional Staff	410,494	0	23,758	(386,736)
Board of Education	108,020	0	0	(108,020)
Administration	1,381,275	0	0	(1,381,275)
Fiscal	432,767	0	54,303	(378,464)
Business	302,303	0	0	(302,303)
Operation and Maintenance of Plant	2,589,488	66,858	59,904	(2,462,726)
Pupil Transportation	328,319	0	85,637	(242,682)
Central	160,828	0	0	(160,828)
Operation of Non-Instructional Services	695,415	896	747,296	52,777
Food Service Operations	2,168,473	8,478	1,622,416	(537,579)
Extracurricular Activities	418,286	358,538	0	(59,748)
Interest and Fiscal Charges	27,327	0	0	(27,327)
<i>Total Governmental Activities</i>	<u>\$19,532,713</u>	<u>\$4,831,849</u>	<u>\$7,179,181</u>	<u>(7,521,683)</u>

**General Revenues**

Property Taxes Levied for General Purposes	2,930,960
Property Taxes Levied for Capital Projects	593,084
Property Taxes Levied for Building Maintenance	63,154
Grants and Entitlements not Restricted to Specific Program	13,525,004
Gifts and Donations	130,579
Investment Earnings	176,982
Miscellaneous	217,684

*Total General Revenues* 17,637,447

Change in Net Position 10,115,764

*Net Position Beginning of Year - Restated (Note 3)* 22,304,685

*Net Position End of Year* \$32,420,449

See accompanying notes to the basic financial statements

**Steubenville City School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2018*

	General	Debt Service	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$6,022,081	\$1,449,645	\$1,088,918	\$2,574,014	\$11,134,658
Cash and Cash Equivalents with Fiscal Agents	0	0	0	1,299,224	1,299,224
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	87,718	0	0	0	87,718
Cash and Cash Equivalents with Escrow Agents	0	23,733	0	0	23,733
Investments with Escrow Agents	0	3,661,576	0	0	3,661,576
Receivables:					
Property Taxes	4,502,111	0	878,046	89,736	5,469,893
Interfund	3,310	0	0	0	3,310
Intergovernmental	281,495	0	0	620,401	901,896
Prepaid Items	22,165	0	0	689	22,854
Materials and Supplies Inventory	9,998	0	0	19,844	29,842
<i>Total Assets</i>	<u>\$10,928,878</u>	<u>\$5,134,954</u>	<u>\$1,966,964</u>	<u>\$4,603,908</u>	<u>\$22,634,704</u>
<b>Liabilities</b>					
Accounts Payable	\$120,951	\$0	\$0	\$10,628	\$131,579
Contracts Payable	0	0	32,617	0	32,617
Accrued Wages and Benefits Payable	1,462,759	0	0	281,872	1,744,631
Matured Severance Payable	16,063	0	0	0	16,063
Interfund Payable	0	0	0	3,310	3,310
Intergovernmental Payable	498,224	0	0	61,453	559,677
<i>Total Liabilities</i>	<u>2,097,997</u>	<u>0</u>	<u>32,617</u>	<u>357,263</u>	<u>2,487,877</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes	3,232,852	0	659,586	66,772	3,959,210
Unavailable Revenue	1,279,370	0	171,914	299,121	1,750,405
<i>Total Deferred Inflows of Resources</i>	<u>4,512,222</u>	<u>0</u>	<u>831,500</u>	<u>365,893</u>	<u>5,709,615</u>
<b>Fund Balances</b>					
Nonspendable:					
Inventories	9,998	0	0	19,844	29,842
Prepaid Items	22,165	0	0	689	22,854
Unclaimed Monies	2,222	0	0	0	2,222
Restricted for:					
Debt Service	0	5,134,954	0	0	5,134,954
Capital Outlay	0	0	1,102,847	0	1,102,847
Budget Stabilization	85,496	0	0	0	85,496
State and Intermediate Programs	0	0	0	210,310	210,310
Federal Programs	0	0	0	16,868	16,868
Food Service Operations	0	0	0	936,620	936,620
Preschool Programs	0	0	0	343,008	343,008
Classroom Facilities Maintenance	0	0	0	887,257	887,257
Scholarships	0	0	0	1,299,224	1,299,224
Other Purposes	0	0	0	309,004	309,004
Assigned for:					
Purchases on Order	1,237,902	0	0	0	1,237,902
Unassigned (Deficit)	2,960,876	0	0	(142,072)	2,818,804
<i>Total Fund Balances</i>	<u>4,318,659</u>	<u>5,134,954</u>	<u>1,102,847</u>	<u>3,880,752</u>	<u>14,437,212</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$10,928,878</u>	<u>\$5,134,954</u>	<u>\$1,966,964</u>	<u>\$4,603,908</u>	<u>\$22,634,704</u>

See accompanying notes to the basic financial statements

**Steubenville City School District**  
*Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
June 30, 2018*

<b>Total Governmental Fund Balances</b>		\$14,437,212
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		46,439,424
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds:		
Property Taxes	1,241,804	
Intergovernmental	280,832	
Tuition and Fees	<u>227,769</u>	
Total		1,750,405
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the Statement of Net Position.		4,464,848
Vacation benefits payable is recognized for earned vacation benefits that are not expected to be paid with expendable available financial resources are therefore not reported in the funds.		(47,055)
In the Statement of Activities, interest is accrued on outstanding bonds and notes, whereas in the governmental funds, an interest expenditure is reported when due.		(2,586)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds - Serial / Term	1,070,000	
Premium on Refunding Bonds	60,135	
Qualified Zone Academy Bonds	8,180,240	
Compensated Absences	<u>1,166,300</u>	
Total		(10,476,675)
The net pension/OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred Outflows - Pension	9,474,639	
Deferred Inflows - Pension	(1,220,041)	
Net Pension Liability	(26,469,673)	
Deferred Outflows - OPEB	492,796	
Deferred Inflows - OPEB	(653,875)	
Net OPEB Liability	<u>(5,768,970)</u>	
Total		<u>(24,145,124)</u>
<i>Net Position of Governmental Activities</i>		<u>\$32,420,449</u>

See accompanying notes to the basic financial statements

**Steuenville City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2018*

	General	Debt Service	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$2,918,513	\$34,350	\$591,049	\$62,937	\$3,606,849
Intergovernmental	15,661,358	33,027	37,528	4,801,852	20,533,765
Interest	34,262	106,091	0	24,756	165,109
Tuition and Fees	4,276,086	0	0	39,458	4,315,544
Rent	66,858	0	0	2,500	69,358
Extracurricular Activities	26,486	0	0	330,448	356,934
Contributions and Donations	91,664	0	0	488,791	580,455
Charges for Services	23,099	0	0	8,478	31,577
Miscellaneous	153,151	0	0	64,533	217,684
<i>Total Revenues</i>	<u>23,251,477</u>	<u>173,468</u>	<u>628,577</u>	<u>5,823,753</u>	<u>29,877,275</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	11,023,112	0	0	1,972,947	12,996,059
Special	2,262,775	0	0	719,650	2,982,425
Vocational	716,251	0	0	18,004	734,255
Support Services:					
Pupil	691,234	0	0	318,437	1,009,671
Instructional Staff	292,350	0	0	34,900	327,250
Board of Education	108,020	0	0	0	108,020
Administration	2,174,666	0	0	0	2,174,666
Fiscal	388,023	1,922	18,544	7,850	416,339
Business	304,942	0	0	0	304,942
Operation and Maintenance of Plant	3,950,334	0	0	635,461	4,585,795
Pupil Transportation	436,335	0	0	1,165	437,500
Central	160,828	0	0	0	160,828
Operation of Non-Instructional Services	34,439	0	0	668,172	702,611
Food Service Operations	0	0	0	2,323,226	2,323,226
Extracurricular Activities	449,732	0	0	370,538	820,270
Capital Outlay	75,094	0	290,469	0	365,563
Debt Service:					
Principal Retirement	0	482,500	0	0	482,500
Interest and Fiscal Charges	0	39,001	0	0	39,001
<i>Total Expenditures</i>	<u>23,068,135</u>	<u>523,423</u>	<u>309,013</u>	<u>7,070,350</u>	<u>30,970,921</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>183,342</u>	<u>(349,955)</u>	<u>319,564</u>	<u>(1,246,597)</u>	<u>(1,093,646)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	355,242	0	0	355,242
Transfers Out	(355,242)	0	0	0	(355,242)
<i>Total Other Financing Sources (Uses)</i>	<u>(355,242)</u>	<u>355,242</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(171,900)	5,287	319,564	(1,246,597)	(1,093,646)
<i>Fund Balances Beginning of Year - Restated (Note 3)</i>	4,490,559	5,129,667	783,283	5,127,349	15,530,858
<i>Fund Balances End of Year</i>	<u>\$4,318,659</u>	<u>\$5,134,954</u>	<u>\$1,102,847</u>	<u>\$3,880,752</u>	<u>\$14,437,212</u>

See accompanying notes to the basic financial statements

**Steubenville City School District**  
*Reconciliation of the Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2018*

**Net Change in Fund Balances - Total Governmental Funds** (\$1,093,646)

*Amounts reported for governmental activities in the statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Asset Additions	3,034,945	
Depreciation	<u>(2,243,414)</u>	
Total		791,531

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:

Property Taxes	(19,651)	
Intergovernmental	(20,568)	
Tuition and Fees	58,436	
Contributions and Donations	<u>(275,100)</u>	
Total		(256,883)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

General Obligation Bonds	270,000	
Qualified Zone Academy Bonds	<u>212,500</u>	
Total		482,500

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the Statement of Activities. (353)

Bond premiums are reported as other financing sources in the governmental funds, but are allocated as an expense over the life of the bonds on the Statement of Activities. 12,027

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Vacation Benefits Payable	(6,604)	
Compensated Absences	<u>(137,443)</u>	
Total		(144,047)

The internal service fund used by management to charge the costs of health insurance to individual funds is not reported in the Statement of Activities. Governmental fund expenditures and the related internal service fund revenue are eliminated. The net revenue (expense) of the internal service fund is allocated among governmental activities. (551,068)

Grant funding previously recognized is expensed on the Statement of Activities in the year of contravention of grant. (10,955)

Contractually required contributions are reported as expenditures in the governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.

Pension		1,807,512
OPEB		53,620

Except for amounts reported as deferred outflows/inflows, changes in net pension/OPEB liability are reported as pension expense in the Statement of Activities.

Pension		8,121,408
OPEB		<u>904,118</u>

*Change in Net Position of Governmental Activities* \$10,115,764

See accompanying notes to the basic financial statements



**Steubenville City School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2018*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$3,388,650	\$3,486,053	\$3,486,054	\$1
Intergovernmental	15,356,299	15,629,772	15,628,918	(854)
Interest	26,000	30,750	34,262	3,512
Tuition and Fees	3,922,517	4,276,001	4,276,086	85
Rent	50,500	65,509	66,858	1,349
Extracurricular	20,600	28,455	26,422	(2,033)
Contributions and Donations	97,150	92,054	91,664	(390)
Charges for Services	36,140	37,140	23,099	(14,041)
Miscellaneous	34,925	157,383	153,151	(4,232)
<i>Total Revenues</i>	<u>22,932,781</u>	<u>23,803,117</u>	<u>23,786,514</u>	<u>(16,603)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	11,540,335	11,539,560	11,160,493	379,067
Special	2,773,547	2,773,547	2,361,127	412,420
Vocational	569,318	569,318	837,445	(268,127)
Support Services:				
Pupil	604,375	604,394	733,459	(129,065)
Instructional Staff	283,552	283,552	308,996	(25,444)
Board of Education	96,894	96,894	101,898	(5,004)
Administration	2,057,066	2,054,650	2,194,635	(139,985)
Fiscal	434,752	434,752	401,089	33,663
Business	309,661	309,661	334,119	(24,458)
Operation and Maintenance of Plant	4,705,248	4,705,248	4,449,596	255,652
Pupil Transportation	467,341	467,341	468,074	(733)
Central	198,561	198,561	200,229	(1,668)
Operation of Non-Instructional Services	17,741	41,223	40,445	778
Extracurricular Activities	406,142	412,609	459,758	(47,149)
Capital Outlay	114,253	169,253	166,275	2,978
<i>Total Expenditures</i>	<u>24,578,786</u>	<u>24,660,563</u>	<u>24,217,638</u>	<u>442,925</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,646,005)</u>	<u>(857,446)</u>	<u>(431,124)</u>	<u>426,322</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	37,488	0	0	0
Transfers Out	(362,345)	(362,345)	(355,242)	7,103
Total Other Financing Sources (Uses)	<u>(324,857)</u>	<u>(362,345)</u>	<u>(355,242)</u>	<u>7,103</u>
<i>Net Change in Fund Balance</i>	(1,970,862)	(1,219,791)	(786,366)	433,425
<i>Fund Balance Beginning of Year</i>	4,579,734	4,579,734	4,579,734	0
Prior Year Encumbrances Appropriated	966,207	966,207	966,207	0
<i>Fund Balance End of Year</i>	<u>\$3,575,079</u>	<u>\$4,326,150</u>	<u>\$4,759,575</u>	<u>\$433,425</u>

See accompanying notes to the basic financial statements

**Steubenville City School District**  
*Statement of Fund Net Position*  
*Proprietary Fund*  
*June 30, 2018*

	Governmental Activity
	Internal Service Fund
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$841
Cash and Cash Equivalents with Fiscal Agent	4,768,456
Accounts Receivable	41,915
<b>Total Current Assets</b>	4,811,212
<b>Current Liabilities</b>	
Claims Payable	346,364
<b>Net Position</b>	
Unrestricted	4,464,848
<i>Total Net Position</i>	\$4,464,848

See accompanying notes to the basic financial statements

**Stebenville City School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2018*

	Governmental Activity
	Internal Service Fund
<b>Operating Revenues</b>	
Charges for Services	\$3,174,889
Other Revenues	64,497
	3,239,386
<b>Operating Expenses</b>	
Purchased Services	665,557
Claims	3,152,982
	3,818,539
<i>Total Operating Revenues</i>	<i>3,239,386</i>
<i>Operating Loss</i>	<i>(579,153)</i>
<b>Non-Operating Revenues</b>	
Interest	28,085
	28,085
<i>Change in Net Position</i>	<i>(551,068)</i>
<i>Net Position Beginning of Year</i>	<i>5,015,916</i>
<i>Net Position End of Year</i>	<i>\$4,464,848</i>

See accompanying notes to the basic financial statements

**Steubenville City School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2018*

	Governmental Activity
	Internal Service Fund
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services Provided	\$3,174,889
Cash Payments for Services	(665,557)
Cash Payments for Claims	(3,245,531)
Cash Received from Other Operating Revenues	147,527
<i>Net Cash Used for Operating Activities</i>	<i>(588,672)</i>
<b>Cash Flows from Investing Activities</b>	
Interest	28,085
<i>Net Cash Provided by Investing Activities</i>	<i>28,085</i>
<i>Net Change in Cash and Cash Equivalents</i>	<i>(560,587)</i>
<i>Cash and Cash Equivalents Beginning of Year</i>	<i>5,329,884</i>
<i>Cash and Cash Equivalents End of Year</i>	<i>\$4,769,297</i>
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	(\$579,153)
Decrease in Account Receivable	22,681
Decrease in Claims Payable	(32,200)
<i>Net Cash Used for Operating Activities</i>	<i>(\$588,672)</i>
See accompanying notes to the basic financial statements	

**Steubenville City School District**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2018*

	Private Purpose Trust Funds	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$19,931	\$117,248
<i>Total Assets</i>	19,931	\$117,248
<b>Liabilities</b>		
Due to Students	0	117,248
<i>Total Liabilities</i>		\$117,248
<b>Net Position</b>		
Held in Trust for Scholarships	19,931	
<i>Total Net Position</i>	\$19,931	

See accompanying notes to the basic financial statements

**Steubenville City School District**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2018*

	<u>Private Purpose Trust Funds</u>
<i>Net Position Beginning of Year - Restated</i>	<u>\$19,931</u>
<i>Net Position End of Year</i>	<u><u>\$19,931</u></u>

See accompanying notes to the basic financial statements

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Steubenville City School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District was established in 1838. The School District serves an area of 8.56 square miles in the City of Steubenville. It is located in Jefferson County on the Ohio River, thirty-seven miles west of Pittsburgh, Pennsylvania. It is staffed by 80 non-certificated employees, 156 certificated full-time and 9 certificated part-time teaching personnel, and 22 full time and 1 part-time administrative employees who provide services to 2,604 students and other community members. The School District currently operates 3 elementary schools, 1 middle school, 1 high school, 1 administrative center, and 1 athletic training facility.

*Reporting Entity:*

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Steubenville City School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. No separate governmental units meet the criteria for inclusion as a component unit. The following activity is included within the reporting entity:

**Parochial Schools:** Within the School District boundaries, Bishop John King Mussio Elementary, Bishop John King Mussio Central Junior High, and Catholic Central High School are operated through the Steubenville Diocese. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. This activity is reflected as a governmental activity and as part of the non-major governmental funds for financial reporting purposes.

The School District is involved with the Jefferson County Joint Vocational School, Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council), and the Coalition of Rural and Appalachian Schools (CORAS), the Ohio Schools Council (OSC), which are defined as jointly governed organizations, the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) which is defined as an insurance purchasing pool, and the Jefferson Health Plan Self-Insurance Plan, which is defined as a risk-sharing, claims servicing, and insurance purchasing pool. These organizations are presented in Notes 16 and 17 to the financial statements.

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Steubenville City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

**A. Basis of Presentation**

The School District's general purpose financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however; has no business-type activities.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

***Fund Financial Statements*** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.



**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

**General Fund** - The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest, and related costs.

**Permanent Improvement Fund** - The Permanent Improvement Fund is used to account for a 4.7 mill general permanent improvement levy use to finance various capital projects in the School District.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

**Proprietary Fund Type** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds.

**Internal Service Fund** The Internal Service Fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for employee medical, prescription drug and dental claims.

**Fiduciary Fund Type** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The School District's fiduciary funds include private-purpose trust and agency funds. Private-purpose trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has a private purpose trust which accounts for various college scholarships for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities and assets held by the School District as an agent for outside activities.

### **C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the total net position.

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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resources and current liabilities and deferred inflows of resources generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

The Private Purpose Trust Fund is reported using the economic resources measurement focus.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide Statement of Net Position for pension and OPEB. The deferred outflows of resources related to pension are explained in Note 11 and 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the Governmental Fund Financial Statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, tuition and fees, contributions and donations, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 18. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of Net Position. See Note 11 and 12 for more information.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**E. Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources, and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

**F. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents.”

During fiscal year 2018, investments were limited to mutual funds, Federal Home Loan Bank Discount Notes, and Federal National Mortgage Association Discount Notes. The mutual funds are reported at net asset value per share, and the remaining investments were reported at fair value.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2018 amounted to \$34,262, which includes \$22,832, assigned from other School District funds.

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements to be cash equivalents.

**G. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in governmental funds represent unexpended revenues restricted for amounts in a debt service fiscal agent account restricted by debt covenants for future debt service payments, unclaimed monies, and amounts required by State Statute to be set-aside by the School District for budget stabilization. See Note 18 for additional information regarding set-asides.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**I. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption and purchased and donated food held for resale.

**J. Capital Assets**

The only capital assets of the School District are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by back-trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their acquisition values as of the date received. The capitalization threshold is five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land	N/A
Construction in Progress	N/A
Land Improvements	20 Years
Buildings and Improvements	20 - 50 Years
Furniture and Equipment	5-20 Years
Vehicles	8 Years

**K. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the Statement of Net Position.

**L. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for vacation eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire compensated absence leave benefit liability is reported on the government-wide financial statements.

On the government fund financial statements, sick leave benefits are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured severance payable" in the fund from which the employee will be paid.

**M. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims, judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that the benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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**N. Bond Premiums, Bond Discounts, and Bond Issuance Costs**

On the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. On the governmental fund financial statements, bond premiums, and bond discounts are recognized in the period in which the bonds are issued. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

Bond issuance costs are expensed in the funds in the period the bonds are issued.

Bond discounts on the capital appreciation bonds are deferred and accreted over the term of the bonds.

**O. Internal Activity**

Transfers within government activities on the government-wide financial statements are reported in the same manner as general revenue.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**P. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

**Nonspendable:** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

**Restricted:** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (School District resolutions).

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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legislation. Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

**Committed:** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned:** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute. State Statute authorizes the Board of Education to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

**Unassigned:** Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Q. Net Position**

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include local resources to be used for student programs

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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**R. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. Revenues and expenses not meeting this determination are reported as non-operating.

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are with the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2018.

**T. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**U. Budgetary Data**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer is given the authority to further allocate fund appropriations within all funds. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate in effect when the final appropriations were passed by the Board.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.



**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2018, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

For fiscal year 2018, the School District also implemented GASB's *Implementation Guide No. 2017-1*. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The Implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

The School District has restated prior year fund balances/net position due to a reclassification of funds as of June 30, 2017. In previous years various private purpose trust funds had been reported as private purpose trust funds. In order to better reflect the established purpose and management of these funds, the School District reclassified the private purpose trust funds to the Non-Major Foundation Special Revenue Fund. The effect of the restatement as of June 30, 2017 is presented below:

	Private Purpose Trust Funds	Total Governmental Activities
Net Position June 30, 2017	\$383,954	\$28,828,449
Adjustments:		
Net OPEB Liability	0	(6,931,052)
Deferred Outflow - Payment Subsequent to Measurement Date	0	43,265
Restatement for Change in Fund Classification	(364,023)	364,023
Restated Net Position June 30, 2017	\$19,931	\$22,304,685

Other than employer contributions subsequent to the measurement date, The School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

The change in fund classification had the following effect on fund balances as of June 30, 2017:

	Private Purpose Trust Funds	Other Governmental Funds
Net Position June 30, 2017	\$383,954	\$4,763,326
Restatement Amount	(364,023)	364,023
Restated Net Position/Fund Balance June 30, 2017	\$19,931	\$5,127,349

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*Notes to the Basic Financial Statements*  
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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non GAAP Basis) - General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or unassigned fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance	
	<u>General</u>
GAAP Basis	(\$171,900)
Revenue Accruals	535,037
Expenditure Accruals	204,031
Encumbrances	<u>(1,353,534)</u>
Budget Basis	<u><u>(\$786,366)</u></u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State Statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the

**Staubenville City School District**  
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financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. 5.Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
7. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
8. The State Treasurer's investment pool (STAROhio); and
9. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At June 30, 2018, the School District's internal service fund had a balance of \$4,768,456 with Jefferson Health Plan Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool (See Note 17). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the Jefferson Health Plan Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to

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the Jefferson Health Plan Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

At June 30, 2018, the School District's Education Foundation Special Revenue Fund had a balance of \$1,299,224 with Foundation for Appalachian Ohio (FAO), a 501 (c)(3) non-profit corporation. The balance is held by FAO in a pooled account which is representative of numerous gifts and contributions to be used for student scholarships and is reported as Cash and Cash Equivalents with Fiscal Agent.

Deposits

**Custodial credit risk** for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2018, \$11,017,803 of the School District's total bank balance of \$11,517,803 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. Both of the School District's financial institutions participates in the Ohio Pooled Collateral System (OPCS) and one of them was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

The School District has no deposit policy for custodial risk beyond the requirements of State Statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of June 30, 2018, the School District had the following investments:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Moody's Rating</u>	<u>Percent of Total Investments</u>
Net Asset Value Per Share				
Mutual Funds (Open-end)	\$23,733	N/A	N/A	0.64%
Fair Value - Level Two Inputs				
Federal Home Loan Bank				
Discount Note	3,151,576	Less than one year	Aaa	85.52%
Federal National Mortgage				
Association Discount Note	<u>510,000</u>	Less than one year	Aaa	<u>13.84%</u>
Total Investments	<u><u>\$3,685,309</u></u>			<u><u>100.00%</u></u>

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2018. The

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School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

**Interest Rate Risk** The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. State Statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

**Credit Risk** The credit ratings for the School District's securities are listed above. Ohio law requires money market mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices. The investments in mutual funds and common stock are donated investments, and were not purchased by the School District.

**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Concentration of Credit Risk** The School District places no limit on the amount it may invest in any one issuer. The percentage of total investments is listed in the table above.

#### **NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, and public utility property located in the School District. Real property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State Statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State Statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Jefferson County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments

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collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2018 was \$217,658 in the General Fund, \$46,546 in the Permanent Improvement Capital Projects Fund, and \$4,675 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2017 was \$785,199 in the General Fund, \$50,018 in the Debt Service Fund, \$167,917 in the Permanent Improvement Capital Projects Fund, and \$13,429 in the Classroom Facilities Maintenance Special Revenue Fund.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$149,876,860	89.65%	\$149,756,980	88.75%
Public Utility Personal	17,310,900	10.35%	18,976,920	11.25%
	\$167,187,760	100.00%	\$168,733,900	100.00%
Tax Rate per \$1,000 of assessed valuation		\$35.35		\$33.95

Note: The decrease in assessed valuations was due to fiscal year 2018 being the final year of collections for the debt service levy.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2018, consisted of property taxes, tuition and fees, intergovernmental grants, and accounts. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$1,241,804 may not be collected within one year. As part of the 2014 QZAB issuance, the School District received the final contribution from an outside source in the amount of \$275,100. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

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<b>Governmental Activities:</b>	<b>Amounts</b>
Bureau of Workers' Compensation Rebate	\$32,365
Excess Costs from Other School Districts	227,769
IDEA B Grant	142,146
Parent Mentor Grant	3,846
Public Preschool Grant	62,109
School Lunch Program Subsidy	184,075
State Foundation Adjustment	21,361
Title I Grant	180,694
Title I-D Grant	2,611
Title II A Grant	39,367
Title IV Grant	5,553
Total Intergovernmental Receivable	\$901,896

**Tax Increment Financing – Business Development** On November 18, 2015 the Board of Education of Steubenville City School District approved a Tax Increment Financing Agreement (TIF) with the City of Steubenville. The purpose of the TIF is economic development, and infrastructure improvements benefitting the public. The TIF agreement is for a thirty year period effective December 3, 2015. The TIF calls for various payments in lieu of taxes when certain criteria are met. The required criteria of the TIF were not met during fiscal year 2018, and as a result, the School District did not report a receivable.

**NOTE 8 – INTERNAL BALANCES AND TRANSFERS**

**A. Interfund Balances**

Interfund balances at June 30, 2018 consisted of the following individual interfund receivables and payables:

<u>Interfund Payable</u>	General Fund
Other Non-major Governmental	\$3,310

The loan made to the Other Non-major Governmental Fund was used to cover actual cash deficits until grant monies are received to operate the programs. The cash deficit was covered by cash and cash equivalents from the General Fund.

**B. Transfers**

Interfund transfers for the year ended June 30, 2018 consisted of the following:

<u>Transfer from</u>	Transfer to
General Fund	Debt Service
	\$355,242

Transfers were used to move receipts from the General Fund to the Debt Service Fund for the annual debt service sinking payments to the QZAB debt service escrow accounts and for annual debt service principal payment for the 2014 and 2016 QZAB. See Long-Term Obligations Note 15 for further details.

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**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance 6/30/17	Additions	Deletions	Balance 6/30/18
<b>Nondepreciable Capital Assets:</b>				
Land	\$5,579,982	\$0	\$0	\$5,579,982
Construction in Progress	164,598	330,987	(164,598)	330,987
<b>Total Nondepreciable Capital Assets</b>	<b>5,744,580</b>	<b>330,987</b>	<b>(164,598)</b>	<b>5,910,969</b>
<b>Depreciable Capital Assets:</b>				
Land Improvements	3,052,905	0	0	3,052,905
Buildings and Improvements	58,527,403	2,275,982	0	60,803,385
Furniture and Equipment	4,917,802	430,296	0	5,348,098
Vehicles	1,609,494	162,278	(111,641)	1,660,131
<b>Total Depreciable Capital Assets</b>	<b>68,107,604</b>	<b>2,868,556</b>	<b>(111,641)</b>	<b>70,864,519</b>
<b>Accumulated Depreciation:</b>				
Land Improvements	(2,141,045)	(77,815)	0	(2,218,860)
Buildings and Improvements	(21,419,474)	(1,809,532)	0	(23,229,006)
Furniture and Equipment	(3,401,478)	(280,964)	0	(3,682,442)
Vehicles	(1,242,294)	(75,103)	111,641	(1,205,756)
<b>Total Accumulated Depreciation</b>	<b>(28,204,291)</b>	<b>(2,243,414)</b>	<b>111,641</b>	<b>(30,336,064)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>39,903,313</b>	<b>625,142</b>	<b>0</b>	<b>40,528,455</b>
<b>Governmental Capital Assets, Net</b>	<b>\$45,647,893</b>	<b>\$956,129</b>	<b>(\$164,598)</b>	<b>\$46,439,424</b>

Depreciation expense was charged to governmental activities as follows:

<b>Instruction:</b>	
Regular	\$1,026,189
Special	199,682
Vocational	133,259
<b>Support Services:</b>	
Pupil	68,403
Instructional Staff	149,148
Administration	260,077
Fiscal	18,095
Operation of Maintenance and Plant	160,798
Pupil Transportation	55,294
Extracurricular	103,635
Non Instructional Services	11,830
Food Service Operations	57,004
<b>Total Depreciation Expense</b>	<b>\$2,243,414</b>



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**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District contracts with McBane Insurance Agency for general liability, errors and omissions, property, and fleet insurance. The general liability coverage has limits of liability of \$1,000,000 for each occurrence and an annual aggregate of \$2,000,000. The errors and omissions coverage has limits of liability of \$1,000,000 for each wrongful act with an annual aggregate of \$1,000,000. The property coverage carries a \$2,500 deductible with total coverage of \$92,774,259. The fleet coverage has limits of liability of \$1,000,000 for each accident and \$5,000 medical payments for each accident.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

Medical/surgical, prescription drug, life and dental insurance are offered to employees through a self-insurance internal service fund. The School District is a member of the Jefferson Health Plan Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool, consisting of over one hundred members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The medical/surgical coverage is based on a usual, customary, and reasonable claim plan. There is a \$200 annual deductible per single or \$400 annual deductible per family for this portion of the coverage. Premiums for this coverage are \$596.22 for individual coverage per month and \$1,388.56 for family coverage per month, employees contributing \$20 a month for single coverage and \$45 a month for family coverage, with the Board paying the balance of the premium. The premium is paid from the fund that pays the salary of the covered employee. Prescription drug premiums are \$187.29 for individual coverage per month and \$436.19 for family coverage per month which the Board of Education is paying 100 percent of the total premium. Premiums for the dental coverage are \$30.96 for individual coverage per month and \$72.09 for family coverage per month which the Board of Education is paying 100 percent of the total premium.

The claims liability of \$346,364 reported in the internal service fund at June 30, 2018 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in claims activity for the past two fiscal years are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2017	\$275,053	\$3,327,007	\$3,223,496	\$378,564
2018	378,564	3,194,897 (1)	3,227,097 (2)	346,364
(1) Claims Expense		\$3,152,982		
+ Stop Loss Receivable		41,915		
Current Year Claims		<u>\$3,194,897</u>		
(2) Cash Payments for Claims			\$3,245,531	
- Stop Loss Received for 2018 Claims			(18,434)	
Claim Payments			<u>\$3,227,097</u>	

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*Notes to the Basic Financial Statements*  
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For fiscal year 2018 the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

***Net Pension Liability***

The net pension liability and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability represent the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension/OBEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$333,761 for fiscal year 2018. Of this amount \$37,618 is reported as an intergovernmental payable.

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
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***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

**Steubenville City School District**  
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A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,473,751 for fiscal year 2018. Of this amount \$275,420 is reported as an intergovernmental payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.08058180%	0.08606222%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.08226490%</u>	<u>0.09073598%</u>	
Change in Proportionate Share	<u>0.00168310%</u>	<u>0.00467376%</u>	
Proportionate Share of the Net			
Pension Liability	\$4,915,146	\$21,554,527	\$26,469,673
Pension Expense	(\$5,929)	(\$8,115,479)	(\$8,121,408)

**Steubenville City School District**  
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At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$211,531	\$832,335	\$1,043,866
Changes of assumptions	254,166	4,714,212	4,968,378
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	283,156	1,371,727	1,654,883
School District contributions subsequent to the measurement date	<u>333,761</u>	<u>1,473,751</u>	<u>1,807,512</u>
Total Deferred Outflows of Resources	<u><u>\$1,082,614</u></u>	<u><u>\$8,392,025</u></u>	<u><u>\$9,474,639</u></u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$0	\$173,721	\$173,721
Net difference between projected and actual earnings on pension plan investments	23,331	711,325	734,656
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>0</u>	<u>311,664</u>	<u>311,664</u>
Total Deferred Inflows of Resources	<u><u>\$23,331</u></u>	<u><u>\$1,196,710</u></u>	<u><u>\$1,220,041</u></u>

\$1,807,512 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$381,780	\$1,179,818	\$1,561,598
2020	363,298	2,147,466	2,510,764
2021	95,027	1,742,640	1,837,667
2022	<u>(114,583)</u>	<u>651,640</u>	<u>537,057</u>
Total	<u><u>\$725,522</u></u>	<u><u>\$5,721,564</u></u>	<u><u>\$6,447,086</u></u>

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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*Notes to the Basic Financial Statements*  
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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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*Notes to the Basic Financial Statements*  
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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$6,820,945	\$4,915,146	\$3,318,650



**Steubenville City School District**  
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***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

**Stuebenville City School District**  
*Notes to the Basic Financial Statements*  
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STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
 Total	 <u>100.00 %</u>	

\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	Current		
	1% Decrease (6.45%)	Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$30,897,680	\$21,554,527	\$13,684,320

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2018, one member of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
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**NOTE 12 – DEFINED BENEFIT OPEB PLAN**

See Note 11 for a description of the net OPEB liability.

***Plan Description - School Employees Retirement System (SERS)***

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State Statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$41,258.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$53,620 for fiscal year 2018. Of this amount \$42,651 is reported as an intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

**Steubenville City School District**  
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Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.08168840%	0.08606222%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.08304790%</u>	<u>0.09073598%</u>	
Change in Proportionate Share	<u><u>0.00135950%</u></u>	<u><u>0.00467376%</u></u>	
Proportionate Share of the Net			
OPEB Liability	\$2,228,787	\$3,540,183	\$5,768,970
OPEB Expense	\$140,447	(\$1,044,565)	(\$904,118)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**Stebenville City School District**  
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	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$0	\$204,361	\$204,361
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	20,569	214,246	234,815
School District contributions subsequent to the measurement date	53,620	0	53,620
Total Deferred Outflows of Resources	\$74,189	\$418,607	\$492,796
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$0	\$0	\$0
Changes of assumptions	211,500	285,173	496,673
Net difference between projected and actual earnings on OPEB plan investments	5,886	151,316	157,202
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	0	0	0
Total Deferred Inflows of Resources	\$217,386	\$436,489	\$653,875

\$53,620 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	(\$70,649)	(\$15,590)	(\$86,239)
2020	(70,649)	(15,590)	(86,239)
2021	(54,048)	(15,590)	(69,638)
2022	(1,471)	(15,591)	(17,062)
2023	0	22,239	22,239
2024	0	22,240	22,240
Total	(\$196,817)	(\$17,882)	(\$214,699)

***Actuarial Assumptions - SERS***

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

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**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$2,691,545	\$2,228,787	\$1,862,166

	1% Decrease (6.5% decreasing to 4.0%)	Current Trend Rate (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
School District's proportionate share of the net OPEB liability	\$1,808,494	\$2,228,787	\$2,785,053

**Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
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Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

**Discount Rate** The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present



**Steubenville City School District**  
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value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

***Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate*** The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	(3.13%)	Discount Rate (4.13%)	(5.13%)
School District's proportionate share of the net OPEB liability	\$4,752,639	\$3,540,183	\$2,581,947

  

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
		Trend Rate	
School District's proportionate share of the net OPEB liability	\$2,459,568	\$3,540,183	\$4,962,400

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Current policy permits vacation leave to be accumulated up to one year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 245 days for all employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 60 days for all employees.

**B. Other Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Consumer Life Insurance Company in the amount of \$25,000 per employee. The monthly premium is \$3.75 and the School District pays 100 percent of the premium.

**Steubenville City School District**  
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**NOTE 14 - COMMITMENTS**

**A. Construction Commitments**

During fiscal year 2018, the School District awarded a contract with Mullins Construction Company for the Harding Stadium decorative fence project. The Project is to be funded primarily by accumulated resources in the Permanent Improvement Capital Projects Fund, and the General Fund. As of June 30, 2018 the School District had the following contractual commitment:

Contractor	Purchase Commitment	Amount Paid as of 6/30/18	Amount Remaining on Contract
Mullins Construction Company	\$455,755	\$298,370	\$157,385

**B. Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

Major Funds:	
General	\$1,353,534
Permanent Improvement	185,241
Other Non-Major Governmental Funds	996,927
Total	\$2,535,702

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
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**NOTE 15 - LONG - TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2018 were as follows:

	Principal Outstanding 6/30/17	Additions	Deductions	Principal Outstanding 6/30/17	Amounts Due In One Year
<b>2011 Refunding Bonds, \$2,090,000</b>					
Serial Bonds, \$2,015,000 @ 1.0%-3.70%	\$1,340,000	\$0	\$270,000	\$1,070,000	\$205,000
Premium - \$144,324	72,162	0	12,027	60,135	0
<b>Qualified Zone Academy Bonds (QZAB):</b>					
2005 QZAB, \$3,930,240 @ 0%	3,930,240	0	0	3,930,240	0
2007 QZAB, \$700,000 @ 0%	700,000	0	0	700,000	0
2014 QZAB, \$2,750,000 @ 0%	2,337,500	0	137,500	2,200,000	137,500
2016 QZAB, \$1,500,000 @ 0%	1,425,000	0	75,000	1,350,000	75,000
<b>Total Bonds</b>	<b>9,804,902</b>	<b>0</b>	<b>494,527</b>	<b>9,310,375</b>	<b>417,500</b>
<b>Compensated Absences</b>	<b>1,028,857</b>	<b>189,133</b>	<b>51,690</b>	<b>1,166,300</b>	<b>136,401</b>
<b>Other Long-Term Obligations</b>					
<b>Net Pension Liability *</b>					
SERS	5,897,845	0	982,699	4,915,146	0
STRS	28,807,620	0	7,253,093	21,554,527	0
<b>Total Net Pension Liability</b>	<b>34,705,465</b>	<b>0</b>	<b>8,235,792</b>	<b>26,469,673</b>	<b>0</b>
<b>Net OPEB Liability **</b>					
SERS	4,602,630	0	1,062,447	3,540,183	0
STRS	2,328,422	0	99,635	2,228,787	0
<b>Total Net OPEB Liability</b>	<b>6,931,052</b>	<b>0</b>	<b>1,162,082</b>	<b>5,768,970</b>	<b>0</b>
<b>Total Long-Term Obligations</b>	<b>\$52,470,276</b>	<b>\$189,133</b>	<b>\$9,944,091</b>	<b>\$42,715,318</b>	<b>\$553,901</b>

\* For additional information related to the net pension liability, see Note 11.

\*\* For additional information related to the net OPEB liability, see Note 12.

*2011 Refunding General Obligation Bonds* - On May 19, 2011, the School District issued \$2,090,000 of general obligation bonds. The bonds were issued to fully refund \$435,000 of outstanding 1993 Steubenville High School Addition and Improvement Series A General Obligation Bonds and to partially refund \$1,655,000 of 2000 School Facilities General Obligation Bonds. The bonds were issued for a 12 year period with final maturity at December 1, 2022. At the date of refunding, \$2,166,484 (including premium and after underwriting fees, and other issuance costs) was used to call and fully repay all refunded bonds.

As part of the original 2000 School Facilities General Obligation Bond Issue, the School District also passed a half-mill levy for the maintenance of the new building. The final year of collections for the half-mill levy was 2018.

These refunding bonds were issued with a premium of \$144,324, which is reported as an increase to bonds payable and is being amortized to interest expense over the life of the bonds using the straight-line method.

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
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The 2011 bond issue consists of serial and capital appreciation bonds, \$2,015,000, and \$75,000, respectively. The capital appreciation bonds for this issue matured December 1, 2016 and were fully retired during fiscal year 2017.

Principal and Interest requirements to retire the 2011 Refunding General Purpose Bonds outstanding at June 30, 2018 are as follows:

Fiscal Year	Serial Bonds	
	Principal	Interest
2019	\$205,000	\$32,519
2020	205,000	26,343
2021	210,000	19,675
2022	220,000	12,360
2023	230,000	4,255
Totals	\$1,070,000	\$95,152

*2005 Qualified Zone Academy Bonds* – On August 21, 2005, the School District issued \$3,930,240 qualified zone academy bonds (QZAB), in accordance with Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34), for use as the School District’s local share of renovations to the High School and Garfield Elementary School through the Ohio School Facilities Commission. The QZAB matures in 2021, with the entire principal balance coming due at maturity. The QZAB does not bear interest. To satisfy fiscal agent requirements of the program, the School District placed \$1.0 million in a debt service sinking fiscal agent account for future payment of the bonds with US Bank, the fiscal agent. The fiscal agent account will be invested with all of the proceeds to be used for the final payoff of the bonds in 2021. Along with the investment earnings of the fiscal agent account, the School District is required to place \$120,810, annually into the debt service sinking fiscal agent account that will be used for the final bond repayment in 2021. The value of the fiscal agent account is recorded as restricted investments with fiscal agents in the debt service fund.

*2007 Qualified Zone Academy Bonds* – On August 17, 2007, the School District issued \$700,000 qualified zone academy bonds (QZAB), in accordance with Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34), for use as the School District’s locally funded portion of renovations of the High School theater/auditorium through the Ohio School Facilities Commission. The QZAB matures in 2022, with the entire principal balance coming due at maturity. The QZAB does not bear interest. To satisfy fiscal agent requirements of the program, the School District placed \$175,000 in a debt service sinking fiscal agent account for future payment of the bonds with US Bank, the fiscal agent. The fiscal agent account will be invested with all of the proceeds to be used for the final payoff of the bonds in 2022. Along with the investment earnings of the fiscal agent account, the School District is required to place \$21,932, annually into the debt service sinking fiscal agent account that will be used for the final bond repayment in 2022. The value of the fiscal agent account is recorded as restricted cash and cash equivalents with fiscal agents in the debt service fund.

See Subsequent Event Note 20 for more information on the 2005 and 2007 QZAB fiscal agent accounts.

*2014 Qualified Zone Academy Bonds* – On May 29, 2014, the School District issued \$2,750,000 qualified zone academy bonds (QZAB), in accordance with Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34), to be used to fund Electro Retro Fit projects throughout the School District and the SCS STEM Education Academy. Unlike the previously issued QZAB’s, the bonds come due annually and are subject to annual debt service requirements. The QZAB does not bear interest.

**Steubenville City School District**  
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*2016 Qualified Zone Academy Bonds* – On May 1, 2016, the School District issued \$1,500,000 qualified zone academy bonds (QZAB), in accordance with Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34), to be used to fund Electro Retro Fit projects at the Harding Middle School, and renovations to, and equipping of the SCS STEM Education Academy. Similar to the 2014 QZAB, the bonds come due annually and are subject to annual debt service requirements. The QZAB does not bear interest.

The annual debt service principal requirements of the 2014 and 2016 QZAB issues outstanding at June 30, 2018 are as follows.

Fiscal Year	2014 QZAB Principal	2016 QZAB Principal	Total
2019	\$137,500	\$75,000	\$212,500
2020	137,500	75,000	212,500
2021	137,500	75,000	212,500
2022	137,500	75,000	212,500
2023	137,500	75,000	212,500
2024-2028	687,500	375,000	1,062,500
2029-2033	687,500	375,000	1,062,500
2034-2036	137,500	225,000	362,500
<b>Totals</b>	<b>\$2,200,000</b>	<b>\$1,350,000</b>	<b>\$3,550,000</b>

The School District's overall legal debt margin was \$15,340,640 with an unvoted debt margin of \$168,734 at June 30, 2018.

Compensated absences will be paid from the General Fund.

Net pension/OPEB liability - There is no repayment schedule for the net pension/OPEB liability. However, employer pension contributions are made from the following funds: General, Food Service Special Revenue, Miscellaneous State Grants Special Revenue, Title I Special Revenue, and Miscellaneous Federal Grants Special Revenue. For additional information related to the net pension/OPEB liability see Note 11 and 12.

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

*Jefferson County Joint Vocational School* – The Jefferson County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district's elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2018, the School District made no contributions to the Vocational School District. To obtain financial information write to the Jefferson County Joint Vocational School, Treasurer, at 1509 County Highway 22A, Bloomingdale, Ohio 43910.

*Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council)* - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board exercised total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2018, the total

**Steubenville City School District**  
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amount paid to OME-RESA from the School District was \$1,942 for cooperative gas purchasing services administrative fees, and \$52,917 for technology services, financial accounting services, and educational management information. The Jefferson County Educational Service Agency serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2230 Sunset Blvd. Suite 2, Steubenville, Ohio 43952.

*Coalition of Rural and Appalachian Schools (CORAS)* - The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 136 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Coalition provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Board exercised total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. The School District's membership fee was \$325 for fiscal year 2018.

*Ohio Schools Council (OSC)* – The Ohio Schools Council is a regional council of governments created under ORC 167, created by school districts for the purpose of saving dollars through volume purchases. OSC's membership has grown to 231 school districts, educational service centers, joint vocational districts, and developmental disabilities boards located in 33 counties. Each participant supports the OSC by paying an annual participation fee. Each participating School District's superintendent serves as a representative of the Assembly. The Assembly elects a nine member Board of Directors (Board) which is the policy making authority of the OSC. The Board appoints an Executive Director to oversee operations of the OSC. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting, and the designation of management. Each participants control is limited to its representation on the Board. During fiscal year 2018, the School District made no contributions the OSC. Financial information can be obtained by contacting the Executive Director at the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

## **NOTE 17 - PUBLIC ENTITY POOLS**

### **A. Insurance Purchasing Pool**

*Ohio School Boards Association Workers' Compensation Group Rating Plan* – The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The School District's enrollment fee of \$6,870 for policy year 2018 was paid to Comp Management Inc.

### **B. Risk Sharing, Claims Servicing, and Insurance Purchasing Pool**

*The Jefferson Health Plan Self-Insurance Plan* – The School District participates in the Jefferson Health Plan, formerly known as the Ohio Mid-Eastern Regional Educational Service Agency, Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool comprised of over one hundred members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$150,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Met Life.

**NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESTRICTIONS**

The School District is required by State Statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the District's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve.

The following cash basis information describes the change in the year-end set-aside amounts for capital improvements and budget stabilization. Disclosure of this information is required by State Statute.

	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Restricted Balance as of June 30, 2017	\$0	\$85,496
Current Year Set-aside Requirement	392,684	0
Current Year Offsets	(71,692)	0
Current Year Qualifying Expenditures	(449,861)	0
Totals	<u>(\$128,869)</u>	<u>\$85,496</u>
Balance Carried Forward to Fiscal Year 2019	<u>\$0</u>	<u>\$0</u>
Set-aside Restricted Balance as of June 30, 2018	<u>\$0</u>	<u>\$85,496</u>

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
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The School District had offsets and qualifying expenditures during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside which may not be carried forward to future years. The School District also had prior year and current year capital expenditures from debt proceeds in connection with a capital project that may be carried forward to offset future set-aside requirements.

The total restricted balance for the set asides at June 30, 2018 was \$85,496.

**NOTE 19 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2018.

**B. State Foundation Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by the schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

**C. Litigation**

The School District is currently not party to legal proceedings.

**NOTE 20 – SUBSEQUENT EVENTS**

**A. Investments**

On July 2, 2018, the \$510,000 Federal National Mortgage Association Discount Note held by the School District matured. On July 2, 2018 the School District purchased a \$540,000 par value Federal Home Loan Bank Discount Note at 98.42 percent for \$531,465, which has a maturity date of December 31, 2018, and carries a credit rating of Aaa.

On August 15, 2018, the \$3,159,000 Federal Home Loan Bank Discount Note held by the School District matured. The School District subsequently purchased a \$3,324,000 par value Federal Home Loan Bank Discount Note at 98.65 percent for \$3,279,238, which has a maturity date of February 15, 2019 and carries a credit rating of Aaa.

**B. 2005 Qualified Zone Academy Bonds**

The School District made the required annual debt service sinking escrow payment and deposited \$120,810 in the Debt Service Escrow account on July 24, 2018.



**Required  
Supplementary  
Information**

**Steubenville City School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Five Fiscal Years (1) \**

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.08226490%	0.08058180%	0.07820830%	0.06922000%	0.06922000%
School District's Proportionate Share of the Net Pension Liability	\$4,915,146	\$5,897,845	\$4,462,640	\$3,503,184	\$4,116,291
School District's Covered Payroll	\$2,660,471	\$2,502,571	\$2,354,469	\$2,011,385	\$2,007,962
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	184.75%	235.67%	189.54%	174.17%	205.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years; information prior to 2014 is not available.  
An additional column will be added for each year

\* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to required supplementary information

**Steubenville City School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net OPEB Liability*  
*School Employees Retirement System of Ohio*  
*Last Two Fiscal Years (1) \**

	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability	0.08304790%	0.08168840%
School District's Proportionate Share of the Net OPEB Liability	\$2,228,787	\$2,328,422
School District's Covered Payroll	\$2,660,471	\$2,502,571
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	83.77%	93.04%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available.

\* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior year end.

See accompanying notes to the required supplementary information.

**Steubenville City School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Five Fiscal Years (1) \**

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.09073598%	0.08606222%	0.08438414%	0.08705089%	0.08705089%
School District's Proportionate Share of the Net Pension Liability	\$21,554,527	\$28,807,620	\$23,321,309	\$21,173,790	\$25,222,079
School District's Covered Payroll	\$10,064,907	\$9,038,357	\$8,650,279	\$8,802,254	\$8,873,264
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	214.16%	318.73%	269.60%	240.55%	284.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years; information prior to 2014 is not available.  
An additional column will be added for each year

\* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to required supplementary information

**Steubenville City School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension OPEB Liability*  
*State Teachers Retirement System of Ohio*  
*Last Two Fiscal Years (1) \**

	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability	0.09073598%	0.08606222%
School District's Proportionate Share of the Net OPEB Liability	\$3,540,183	\$4,602,630
School District's Covered Payroll	\$10,064,907	\$9,038,357
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.17%	50.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

\* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior year end.

See accompanying notes to the required supplementary information.

**Steubenville City School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$333,761	\$372,466	\$350,360	\$310,319
Contributions in Relation to the Contractually Required Contribution	<u>(333,761)</u>	<u>(372,466)</u>	<u>(350,360)</u>	<u>(310,319)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$2,472,304	\$2,660,471	\$2,502,571	\$2,354,469
Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution (2)	\$53,620	\$43,265	\$41,453	\$61,045
Contributions in Relation to the Contractually Required Contribution	<u>(\$53,620)</u>	<u>(\$43,265)</u>	<u>(\$41,453)</u>	<u>(\$61,045)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.17%</u>	<u>1.63%</u>	<u>1.66%</u>	<u>2.59%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.67%</u>	<u>15.63%</u>	<u>15.66%</u>	<u>15.77%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
\$278,778	\$277,902	\$263,375	\$223,241	\$292,151	\$202,027
<u>(278,778)</u>	<u>(277,902)</u>	<u>(263,375)</u>	<u>(223,241)</u>	<u>(292,151)</u>	<u>(202,027)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,011,385	\$2,007,962	\$1,958,181	\$1,775,986	\$2,157,692	\$2,053,124
<u>13.86%</u>	<u>13.84%</u>	<u>13.45%</u>	<u>12.57%</u>	<u>13.54%</u>	<u>9.84%</u>
\$38,176	\$39,225	\$42,856	\$52,839	\$38,273	\$113,542
<u>(\$38,176)</u>	<u>(\$39,225)</u>	<u>(\$42,856)</u>	<u>(\$52,839)</u>	<u>(\$38,273)</u>	<u>(\$113,542)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.90%</u>	<u>1.95%</u>	<u>2.19%</u>	<u>2.98%</u>	<u>1.77%</u>	<u>5.53%</u>
<u>15.76%</u>	<u>15.79%</u>	<u>15.64%</u>	<u>15.55%</u>	<u>15.31%</u>	<u>15.37%</u>

**Steubenville City School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	2018	2017	2016	2015
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$1,473,751	\$1,409,087	\$1,265,370	\$1,211,039
Contributions in Relation to the Contractually Required Contribution	<u>(1,473,751)</u>	<u>(1,409,087)</u>	<u>(1,265,370)</u>	<u>(1,211,039)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$10,526,793	\$10,064,907	\$9,038,357	\$8,650,279
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information.



2014	2013	2012	2011	2010	2009
\$1,144,293	\$1,153,524	\$1,220,237	\$1,236,433	\$1,208,788	\$1,212,880
(1,144,293)	(1,153,524)	(1,220,237)	(1,236,433)	(1,208,788)	(1,212,880)
\$0	\$0	\$0	\$0	\$0	\$0
\$8,802,254	\$8,873,264	\$9,386,436	\$9,511,021	\$9,298,371	\$9,329,843
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$88,023	\$88,733	\$93,864	\$95,110	\$92,984	\$93,298
(88,023)	(88,733)	(93,864)	(95,110)	(92,984)	(93,298)
\$0	\$0	\$0	\$0	\$0	\$0
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

**Steubenville City School District**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2018*

**Net Pension Liability**

**Changes in Assumptions – SERS**

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

**Changes in Assumptions - STRS**

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For fiscal year 2018 post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70% of rates between ages 70 and 79, 90 percent of

**Steubenville City School District**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2018*

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rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

**Net OPEB Liability**

**Changes in Assumptions – SERS**

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

**Changes in Assumptions – STRS**

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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**STEUBENVILLE CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education:</i>			
<i>Nutrition Cluster:</i>			
<i>Non-Cash Assistance (Food Distribution):</i>			
National School Lunch Program	10.555		\$85,252
<i>Cash Assistance:</i>			
School Breakfast Program	10.553	\$434,358	
National School Lunch Program	10.555	<u>896,376</u>	
Nutrition Cluster Total (Cash and Non-Cash)		<u>1,330,734</u>	<u>85,252</u>
Total U.S. Department of Agriculture		1,330,734	85,252
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>			
Innovative Approaches to Literacy-Counseling Grant	84.215	87,888	
<i>Passed Through Ohio Department of Education:</i>			
Title 1 Grants to Local Educational Agencies (Title 1, Part A of the ESEA)	84.010	1,431,538	
Career and Technical Education	84.048	10,000	
<i>Special Education Cluster:</i>			
Special Education Grants to States	84.027	611,971	
Special Education Preschool Grants	84.173	<u>8,099</u>	
Special Education Cluster Total		620,070	
Supporting Effective Instruction State Grants (Title IIA)	84.367	138,296	
Student Support and Academic Enrichment Program	84.424	<u>15,931</u>	
Total U.S. Department of Education		<u>2,303,723</u>	
<b>Totals</b>		<b><u><u>\$3,634,457</u></u></b>	<b><u><u>\$85,252</u></u></b>

*The accompanying notes are an integral part of this schedule.*

**STEUBENVILLE CITY SCHOOL DISTRICT  
JUNE 30, 2018  
JEFFERSON COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Steubenville City School District (the District's) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected to not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assuming it expends federal monies first.

**NOTE D – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities

# OHIO AUDITOR OF STATE KEITH FABER



## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Steubenville City School District  
Jefferson County  
1400 West Adams Street  
Steubenville, Ohio 43952

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Steubenville City School District, Jefferson County, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 20, 2019, wherein noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement (GASB) 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

February 20, 2019



# OHIO AUDITOR OF STATE KEITH FABER



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Steubenville City School District  
Jefferson County  
1400 West Adams Street  
Steubenville, Ohio 43952

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited Steubenville City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Steubenville City School District's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on the Major Federal Program***

In our opinion, Steubenville City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2018.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

February 20, 2019

**STEUBENVILLE CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2018**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 84.010 – Title I
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR § 200.520?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# OHIO AUDITOR OF STATE KEITH FABER



**STEUBENVILLE CITY SCHOOL DISTRICT**

**JEFFERSON COUNTY**

### **CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 12, 2019**